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NATIONAL FOREIGN ASSESSMENT CENTER
WASHINGTON, D.C. 20505

3 January 1980

MEMORANDUM FOR: Mr. Jim Carnes
OASDISA/D/IEA
Department of Defense

SUBJECT : Western Lending to the USSR

1. Attached are current estimates of officially-supported credits extended by Western governments to the USSR. Drawn commitments refer to credits already used by the Soviets to finance imports from the West. Undrawn commitments are those allocated to signed contracts which Western suppliers have not yet fulfilled (Table 1). Offers are the portion of credit lines extended to the USSR which have not yet been committed to particular sales contracts. The totals in the tables reflect the amount of principal only. They are estimated from credit data reported by NATO and the Berne Union of Credit Insurers which incorporate both principal and the future stream of interest payments. We do not have adequate information to break out commitments from individual countries into drawn and undrawn commitments (Table 2). ☐

2. Although the USSR has made considerable use of officially-backed credits, the bulk of its borrowing has come from private sources, primarily Western commercial banks. We estimate the USSR's debt not backed by Western official guarantees at \$10.3 billion at yearend 1978. Banks in the UK, France, and West Germany are the primary commercial lenders to the USSR. US banks -- including their foreign branches -- account for about 10 percent of bank lending to the Soviets. (U)

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Appropriate coordination has been made within OER.

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3. A cutoff in Western lending would not seem to pose severe problems to the Soviets in the short-run. The pace of Soviet orders for Western equipment has fallen for three years running reflecting, in large measure, Soviet problems in installing already delivered equipment. A moratorium on long-term government-backed credits, if in effect for only a relatively short period of time, may have the effect of allowing Moscow to digest that equipment which it has already received. Western restrictions on commercial credits would also have limited impact since the USSR (a) has over \$5 billion in deposit in the West and (b) can meet any additional cash needs by stepping up gold sales. A freeze on Soviet assets in the West could present Moscow with problems in paying for its grain imports. ☐

4. A curtailment of official lending would, in any event, prove difficult for Western governments. A revocation of credit commitments on signed contracts would provoke strong opposition from the business community. Exporters are under legal obligation to honor the terms of signed contracts and have invested resources in meeting deliveries to the Soviet Union. Unless a cutoff of Western official lending was complete, the Soviets could probably break down a credit boycott by allocating large orders to countries willing to provide credit. The USSR can purchase most needed equipment from a number of suppliers and has been very adept in the past at playing off competing exporters and their governments to obtain favorable credit terms. ☐


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Table 1

USSR: Official Credits from the West

(Yearend 1978 in billion US\$)

	<u>Committed Credits</u>		<u>Credits offered but as yet Uncommitted</u>
	<u>Drawn</u>	<u>Undrawn</u>	
NATO Countries	4.6	4.8	6.2
Japan	1.9	1.7	0.0
Other	<u>0.4</u>	<u>0.3</u>	<u>0.6</u>
Total	6.9	6.8	6.8

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Table 2

USSR: Credit Commitments and Offers from BIG 6

(Yearend 1978 in billion US \$)

	<u>Commitments</u>	<u>Offers</u>
France	4.0	2.6
FRG	3.2	2.4
UK	1.1	0.4
Japan	3.6	0.0
Italy	1.1	0.6
Canada	<u>0.2</u>	<u>0.0</u>
Total	13.2	6.0

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